

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04 TRSE-00

LAB-04 SIL-01 SAM-01 OMB-01 L-03 SS-15 NSC-05 PA-01

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R 231547Z DEC 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 209

INFO ALL EC CAPITALS 1474

AMEMBASSY OTTAWA

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E.O. 11652: N/A

TAGS: EFIN, EEC, ETRD, UK

SUBJECT: EC COMMISSION TAKES ACTION TO PHASE OUT MEMBER STATE  
COST ESCALATION INSURANCE SCHEMES

REFS: A. LONDON 19570 B. LONDON 19361 C. SECSTATE 296380  
D. EC BRUSSELS 10654

1. THE EC COMMISSION ON DECEMBER 22 AGREED IN PRINCIPLE  
TO SEND TO THE COUNCIL A DRAFT DIRECTIVE CALLING FOR THE  
PHASE OUT OF MEMBER STATE COST ESCALATION INSURANCE  
SCHEMES OVER A THREE YEAR PERIOD. BEFORE SENDING ITS  
PROPOSE FORWARD, THE COMMISSION DECIDED FIRST TO  
CONTACT THE MEMBER STATES CONCERNED IN ORDER TO ALERT  
THEM TO THE PROPOSAL. THESE SCHEMES ARE POLITICALLY  
SENSITIVE IN SEVERAL MEMBER STATES, ESPECIALLY IN  
FRANCE, AND THE COMMISSION WANTS TO NOTIFY THE MEMBER  
STATES CONCERNED BEFORE TAKING A FINAL DECISION  
ON THIS MATTER. IT IS POSSIBLE THAT AFTER THESE CONTACTS  
SOME MINOR MODIFICATIONS COULD BE MADE IN THE PROPOSAL,  
BUT COMMISSION OFFICIALS BELIEVE THE DIRECTIVE WILL  
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LIKELY STAND AS IT IS CURRENTLY DRAFTED. THIS

DRAFT REQUIRES MEMBER STATES TO REDUCE BY ABOUT ONE-THIRD THEIR INFLATION INSURANCE IN EACH OF THE NEXT THREE YEARS SO THAT BY THE END OF 1978 THESE SCHEMES WILL BE ELIMINATED.

2. COMMISSION OFFICIALS EXPECT TO COMPLETE CONTACTS WITH MEMBER STATES BY MID-JANUARY. THIS SHOULD ENABLE THE COMMISSION TO SUBMIT ITS DRAFT DIRECTIVE TO THE COUNCIL BY THE END OF JANUARY.

3. AS REQUESTED IN REF C, WE ASKED THE COMMISSION HOW IT INTENDS TO REACT TO THE CHANGES IN THE UK'S SCHEM, WHICH WERE ANNOUNCED ON DECEMBER 18 (SEE REF A). THE COMMISSION DOES NOT PLAN TO REACT SPECIFICALLY TO THESE MEASURES BECAUSE IT BELIEVES ITS REACTION IS CONTAINED IN THE COMMISSION'S PROPOSAL TO PHASE OUT THESE SCHEMES. THE COMMISSION, HOWEVER, WILL LIKELY REFER TO THE UK MEASURES IN ITS BILATERAL CONTACTS. GREENWALD

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## Message Attributes

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